

For the year January 1 to December 31, 1996, or other taxable year beginning _____, 1996, and ending _____, 19 ____.

Name of estate or trust	Check applicable box(es): a. <input type="checkbox"/> Decedent's estate b. <input type="checkbox"/> Simple trust c. <input type="checkbox"/> Complex trust d. <input type="checkbox"/> Grantor type trust e. <input type="checkbox"/> Bankruptcy estate f. <input type="checkbox"/> Pooled income fund g. <input type="checkbox"/> First return h. <input type="checkbox"/> Final return	*FID No. or Decedent's Soc. Sec. No.
Name and title of fiduciary		Was a North Dakota Income Tax Return filed for the preceding year? <input type="checkbox"/> Yes <input type="checkbox"/> No
Address of fiduciary (mailing address)		Date trust was created, or if an estate, date of decedent's death
City, State, and Zip Code		<input type="checkbox"/> Check if this is an amended return
Status of estate or trust? <input type="checkbox"/> Resident <input type="checkbox"/> Nonresident	Daytime Phone () —	<input type="checkbox"/> Check if an extension is attached
Does the estate or trust have nonresident beneficiaries? <input type="checkbox"/> Yes <input type="checkbox"/> No		

Complete either Schedule 1 below or Schedule 2 on reverse side, and then complete Lines 10 through 20 on this page. If you complete Schedule 2, do not complete Schedule 1 below. All filers must complete Schedule 3 on reverse side.

Schedule 1 - Simplified Optional Method

1. Federal income tax liability (See instructions) If you do not need the adjustments provided for on Lines 3 through 5, skip Lines 2 through 8 and enter the amount from Line 1 on Line 9 and complete Lines 10 through 20 (A)	1		
2. Total income from Line 9, Federal Form 1041, less income distribution deduction from Line 18, Federal Form 1041 (B)	2		Nonresidents: Before completing Line 4, please see the instructions for Line 4 regarding distributions.
3. Interest on U.S. obligations (Residents only) (See instructions) (C)	3		
4. Nonresidents Only: Non-North Dakota adjusted gross income (D)	4		
5. Other (Identify) (See instructions) .. (E)	5		
6. Add Lines 3, 4, and 5	6		
7. Total income for North Dakota income tax purposes (Line 2 less Line 6) (G)	7		
8. Line 7 divided by Line 2 (Round to nearest whole percentage) %	8		
9. Adjusted Federal income tax liability (Line 1 multiplied by the percentage on Line 8) (H)	9		

All taxpayers must complete lines 10 through 20

10. North Dakota income tax: If you elected to use Schedule 1, multiply Line 9 by .14 (14%). If you elected to use Schedule 2 on the back, enter the amount from Line 28, Schedule 2 (I)	10		
11. Residents enter amount, if any, from Line 7, Schedule 4 (Credit for income taxes paid to another State) (See instructions) (J)	11		
12. Balance (Line 10 less Line 11)	12		
13. Venture Capital Corporation Credit - Schedule 2 filers only (K)	13		Please read instructions for Lines 13 through 16
14. North Dakota SBIC Credit - Schedule 2 filers only (L)	14		
15. Nonprofit Development Corporation Credit - Schedule 2 filers only (M)	15		
16. Seed Capital Investment Credit - Schedule 2 filers only (R)	16		
17. Net tax liability (Line 12 less Lines 13, 14, 15, and 16) (N)	17		
18. 1996 estimated income tax payments (Form 401-ES) (P)	18		
19. If Line 18 is greater than Line 17, enter difference as Refund (If less than \$5, enter \$0)	19		
20. If Line 18 is less than Line 17, enter difference as Balance Due (If less than \$5, enter \$0) Pay this amount to State Tax Commissioner	20		

Complete Copy Of Federal Fiduciary Return Must Be Attached

I declare under the penalties of N.D.C.C. Section 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

Signature of Fiduciary or Officer representing Fiduciary	Date
Signature of Preparer other than Taxpayer	Date

Mail To: State Tax Commissioner, State Capitol,
600 E. Boulevard Ave., Bismarck, ND 58505-0599

"Buy North Dakota Products"

Do Not
Write
In This
Space

Residents: Complete Lines 1 through 28. Nonresidents: Do not complete Lines 1 through 19. See instructions for Lines 20 through 28, then complete Lines 20 through 28.

1. Total income from Line 9, Federal Form 1041	1		
2. Enter deductions from Line 16, Federal Form 1041	2		
3. Balance (Line 1 less Line 2)	3		
4. Enter deductions (Line 21 less Line 18, Federal Form 1041)	4		
5. Balance (Line 3 less Line 4)	5		
6. North Dakota addback adjustments (Please read instructions)	6		
7. Balance (Line 5 plus Line 6)	7		

North Dakota Subtract Adjustments

8. Interest income from U.S. obligations	8		
9. Income from a sale or lease to a "Beginning Farmer" or "Beginning Businessman"	9		
10. Interest income from North Dakota financial institutions (Limited to \$300)	10		
11. Other (Identify)	11		
12. Total (Add Lines 8, 9, 10, and 11)	12		
13. Balance (Line 7 less Line 12)	13		
14. Federal income tax (Please read instructions)	14		
15. Total income from Line 1 above	15		
16. Income adjustment for determining Federal income tax deduction	16		
17. Line 15 less Line 16	17		
18. Deductible percentage: Divide Line 17 by Line 15 (Enter as a percentage)	18	%	
19. Federal income tax deduction (Line 14 multiplied by percentage on Line 18)	19		
20. Net income (loss) before distribution (Line 13 less Line 19) (Nonresidents must see instructions)	20		
21. Income distribution deduction (Please read instructions)	21		
22. North Dakota taxable income (Line 20 less Line 21)	22		
23. Computation of income tax (See rate table below)	23		
24. Credit for contributions to nonprofit private colleges	24		
25. Credit for contributions to nonprofit private high schools	25		
26. Other credits (Identify)	26		
27. Total (Add Lines 24, 25, and 26)	27		
28. Balance (Line 23 less Line 27). Enter here and on Line 10, page 1, Form 38	28		

Please read the instructions for Lines 8, 9, 10, and 11.

If an entry was made on Lines 8, 9, 10, or 11, please read the instructions for Line 16. Otherwise, enter zero on Line 16 and 100% on Line 18, then go to Line 19.

Please read instructions for Lines 24, 25, and 26.

Table Of Income Tax Rates

Taxable Income:

Up to \$3,000	Computed at 2.67%	\$ 15,000 to \$ 25,000	\$ 786.90 plus 8.00% of excess over \$ 15,000
\$ 3,000 to \$ 5,000	\$ 80.10 plus 4.00% of excess over \$ 3,000	\$ 25,000 to \$ 35,000	\$ 1,586.90 plus 9.33% of excess over \$ 25,000
\$ 5,000 to \$ 8,000	\$ 160.10 plus 5.33% of excess over \$ 5,000	\$ 35,000 to \$ 50,000	\$ 2,519.90 plus 10.67% of excess over \$ 35,000
\$ 8,000 to \$15,000	\$ 320.00 plus 6.67% of excess over \$ 8,000	Over \$ 50,000	\$ 4,120.40 plus 12.00% of excess over \$ 50,000

Schedule 3 — Beneficiaries' Shares Of Income (Loss)

Name of each beneficiary (designate nonresident, if any). This income must be reported to North Dakota by each beneficiary.	Address of Beneficiary	Social Security Number *	Beneficiary's Income (Loss)
Total — (If you need additional space, please attach separate schedule and include total on this line)			

* In compliance with the Federal Privacy Act of 1974, Public Law 93-579, the disclosure of an individual's social security number, or the federal identification number of the estate or trust, on this form is mandatory and is required under Subsections 1 and 7 of North Dakota Century Code Section 57-38-31. A social security number or federal identification number is used as an identification number by the Office of State Tax Commissioner for file control purposes, record keeping, and for cross-checking a taxpayer's files with the Internal Revenue Service.

Who Must File

Every fiduciary for a resident estate or trust, and every fiduciary for a nonresident estate or trust which derives income from a North Dakota source, who is required to file a Federal fiduciary income tax return, must file a North Dakota fiduciary income tax return. Every fiduciary required to file may choose to use either Schedule 1 (simplified optional method) or Schedule 2 (long method). Calculate the tax under both methods to see which one is best.

Resident Estate Or Trust

Those provisions of law applicable to a resident individual shall apply to a fiduciary for a resident estate or trust. The entire income of a resident estate or trust shall be reported to this State. If part or all of the income of a resident estate or trust is subject to tax in another state, a limited income tax credit may be allowed. See the instructions to line 11, page 1, of Form 38.

Nonresident Estate Or Trust

Those provisions of law applicable to a nonresident individual shall apply to a fiduciary for a nonresident estate or trust. Income from a North Dakota source means any gross income derived from tangible property located in this State and from any trade or business carried on in this State. Except where the property is an integral part of a trade or business, income from a North Dakota source does not include income from land contracts, mortgages, stocks, bonds, securities, or from the sale of similar intangible personal property.

The entire income from a trade or business conducted wholly within this State shall be reported to this State by a fiduciary of a nonresident estate or trust. Income from a trade or business that is carried on partly within and partly without this State shall be apportioned and allocated to this State and outside this State according to the provisions of N.D.C.C. Chapter 57-38.1, Uniform Division of Income Tax Act. Any fiduciary subject to these provisions must complete Schedule B of Form 40, Corporate Income Tax Return, and attach it to Form 38. Contact the Office of State Tax Commissioner to obtain Schedule B, Form 40.

When And Where To File And Pay

Form 38 must be filed for the calendar year 1996 or other taxable year beginning in 1996 on or before the 15th day of the 4th month following the close of the tax year. The return must be filed with the Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Ave., Bismarck, North Dakota 58505-0599. A balance due must be paid in full when the return is filed. Make check or money order payable to "State Tax Commissioner."

Estimated Income Tax

A fiduciary for an estate or trust must make estimated income tax payments for 1997 if all four of the following conditions are met: 1. The fiduciary is required to pay estimated Federal income tax for 1997; 2. The fiduciary's net tax liability for 1996 was \$200 or greater (If no return was required for 1996, the net tax liability is zero for this purpose, and no estimates are required); 3. The fiduciary expects to owe, after subtracting North Dakota income tax withholding, at least \$200 in tax for 1997; and, 4. The fiduciary expects North Dakota income tax withholding for 1997 to be less than the smaller of: (a) 90% of the net tax liability shown on the 1997 North Dakota tax return or (b) 100% of the net tax liability shown on the 1996 year's North Dakota tax return. **Exception to condition 4(b):** If the estate or trust was not in existence for the entire 1996 tax year, part (b) of condition 4 does not apply.

Penalty And Interest

If a return is timely filed but the tax due is not paid in full with the return, or if a return is not filed by the due date and there is a tax due, a penalty of 5% of the tax due or \$5.00, whichever is greater must be paid. Also, interest of 1% per month or fraction of a month (excepting the month in which the return was due) of the tax due must be paid.

Signature(s)

Form 38 must be signed by the individual fiduciary or by the authorized officer of the organization receiving or having custody or control and management of the income of the estate or trust. It must also be signed by the person or in the name of the firm or corporation preparing the fiduciary's return for compensation.

Beneficiaries

If an income distribution deduction is claimed on the Federal fiduciary return, Schedule 3 (page 2, Form 38) must be completed to show the portion of each beneficiary's share of the federal income distribution reportable to North Dakota.

If any part of a beneficiary's distributive share consists of interest from U.S. obligations, or dividends from a mutual fund that invests its assets in U.S. obligations, separately list and identify the specific securities owned directly by the estate or trust or the name of the mutual fund and the percentage of dividends attributable to investments in U.S. obligations.

Information At The Source Returns

Every fiduciary for an estate or trust who is required to file Federal Form 1099 or W-2 must also file one with the Office of State Tax Commissioner. A Form 1099 or W-2 does not have to be filed to report payments of interest, dividends, pensions or annuities unless North Dakota income tax is withheld, in which case the fiduciary must comply with the North Dakota information at the source reporting requirements, and must remit any amount withheld in the same manner as an employer who withholds income tax from wages. For more information on these requirements, contact the Office of State Tax Commissioner.

Amended Returns

Check the block in the upper right hand corner of page 1, Form 38, if this is an amended return. A fiduciary filing an amended Federal return with the Internal Revenue Service must also file an amended North Dakota return with the Office of State Tax Commissioner. If the Internal Revenue Service makes changes to Federal taxable income, the fiduciary must notify the Office of State Tax Commissioner within ninety days. Failure to report such changes will stop the statute of limitations for audit purposes on the return.

Where To Get Forms And Assistance

For forms or assistance, call toll free (within North Dakota) 1-800-638-2901. From outside North Dakota or from within the Bismarck-Mandan calling area, call (701)328-3450. The speech or hearing impaired may call the TDD numbers 1-800-453-8950 or (701)328-2778. Or write to: Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Avenue, Bismarck, ND 58505-0599.

Specific Instructions For Schedule 1 - Simplified Optional Method

Line 1. Enter on this line the Federal income tax liability from Federal Form 1041, Schedule G, line 1c less line 2d plus (line 6 less the amount of investment credit included on line 2c, Federal Form 1041, Schedule G; however, line 6 may not be reduced below zero).

Line 3. Residents only - Enter on this line interest income from U.S. obligations. Attach a schedule or other information that identifies the specific securities owned - e.g., "U.S. Savings Bond." A general description such as "Interest on U.S. obligations" will not be accepted.

Income from a regulated investment company (mutual fund) on which Federal income tax was paid may be entered on this line, but only to the extent attributable to

investments by the regulated investment company in U.S. obligations. Attach a schedule or other information that identifies the regulated investment company and related percentage of income from U.S. obligations.

Line 4. A nonresident's income from sources outside of North Dakota must be reduced by the portion of the income distribution deduction from Line 18, Federal Form 1041, that is from non-North Dakota sources, before it is entered on this line.

Line 5. The only items that may be entered on this line are: (1) Income earned by an American Indian while living and working on an Indian reservation; and (2) Payments from the U.S. Railroad Retirement Board taxed on the Federal fiduciary return.

Specific Instructions For Completing Lines 10 Through 20, Page 1

Line 11. If a resident estate or trust received income from sources in other States and paid income taxes on this income to other States, complete Schedule 4. Enter the amount from line 7, Schedule 4, on this line. Schedule 4 is contained in the instruction booklet for individual filers, or it can be obtained by contacting the Office of State Tax Commissioner.

Lines 13-16 apply only if Schedule 2 (Long Method) is used

Line 13. If an investment was made in a venture capital corporation, enter the lesser of 25% of the amount invested or \$250,000. Attach copy of Venture Capital Corporation Investment Reporting Form.

Line 14. If a qualifying investment was made in the North Dakota Small Business Investment Company, a North Dakota Limited Partnership, enter 25% of the amount

invested. If the credit exceeds the tax, the excess may be carried forward up to seven years. Attach copy of the North Dakota SBIC Investment Reporting Form.

Line 15. If an investment was made in a certified nonprofit development corporation, enter the lesser of 25% of the amount invested or \$2,000. Attach copy of Non-profit Development Corporation Investment Reporting Form.

Line 16. If an investment was made in a business certified by the Director of Economic Development and Finance as a qualified business for purposes of the seed capital investment credit, enter allowable credit on this line. To determine amount of credit, see explanation of credit on reverse side of Seed Capital Investment Reporting Form received from qualified business. Attach copy of Seed Capital Investment Reporting Form.

- Resident filers - Complete Lines 1 Through 28
- Nonresident filers - Complete Lines 20 Through 28 Only

Please Note: Every fiduciary may choose to use either Schedule 1 (Simplified Optional Method) or Schedule 2 (Long Method). Although the majority of filers will calculate the lowest tax using the simplified optional method, it is advised that the tax be calculated using both methods to determine which results in a lower tax liability.

Line 6. Fiduciary income is computed under the Internal Revenue Code, with certain limitations for safe harbor leases. Section 168(f)(8) of the Internal Revenue Code was not adopted regarding safe harbor leases where the minimum investment by the lessor is less than one hundred percent (100%).

Enter the amount of any interest and dividends from foreign securities and from securities of states and their political subdivisions exempt from Federal income tax; however, interest upon obligations of the State of North Dakota or any of its political subdivisions shall not be included.

State and local income taxes deducted on the Federal fiduciary return are not deductible for State income tax purposes and must be included on this line.

Lump Sum Distributions - If a lump sum distribution was received from a qualified retirement plan and an election was made to report the income on Federal Form 4972, enter the income reported on Federal Form 4972 on this line.

Line 8. Resident only - Interest income from U.S. obligations is not taxable by the State and should be entered on this line. Attach a schedule or other information that identifies the specific securities owned, e.g., "U.S. Savings Bond." A general description such as "Interest on U.S. obligations" will not be accepted.

Also enter on this line income from a regulated investment company (mutual fund) on which Federal income tax was paid, but only to the extent attributable to investments by the regulated investment company in U.S. obligations. Attach a schedule on which the regulated investment company is identified along with the related percentage of income from U.S. obligations.

Line 9. The law provides for tax incentives for a landowner to sell or lease land in North Dakota to a "beginning farmer," or for the owner of a business to sell or lease a revenue-producing enterprise in North Dakota to a "beginning businessman." The owner may qualify for certain deductions which may be claimed on this line. See instructions for lines 12, 13, and 14, Schedule 2, Form 37, for "beginning farmer" deductions, and the instructions for lines 16, 17, and 18, Schedule 2, Form 37, for "beginning businessman" deductions. These are the instructions for individual filers.

Line 10. Enter on this line the amount (not to exceed \$300) of interest income derived from a financial institution located in North Dakota.

Line 11. Fiduciary income is computed under the Internal Revenue Code, with certain limitations for safe harbor leases. Section 168(f)(8) of the Internal Revenue Code was not adopted regarding safe harbor leases where the minimum investment by the lessor is less than one hundred percent (100%).

Enter the amount of dividends received upon the stock of corporations doing business in the State of North Dakota, providing that North Dakota corporation income tax has been paid upon such corporate earnings, or from any bank, trust company, or building and loan association which has paid tax under North Dakota Century Code chs. 57-35, 57-35.1, or 57-35.2. A deduction is permitted only to the extent that any of the above entities are doing business in North Dakota. The maximum amount which may be excluded is the lesser of the actual dividends received or \$15,000.

Enter the amount of any investment in a venture capital corporation created under N.D.C.C. ch. 10-30.1. This deduction is limited to \$5,000. **Attach copy of Venture Capital Corporation Investment Reporting Form.**

Line 14. From Federal Form 1041 (Schedule G), enter the amount from line 4 plus line 2a plus line 5.

Line 16. Enter the total of Lines 8, 9, 10, and 11; however, do not include the \$5,000 deduction for investment in a venture capital corporation claimed on Line 11.

Line 20. A resident estate or trust should disregard this instruction.

A nonresident estate or trust should only report North Dakota income and deductions in arriving at North Dakota income. The deductions must pertain to North Dakota income and should be actual expenses. If actual expenses cannot be determined, then the expenses may be prorated based upon the percentage that the North Dakota income bears to the total income. Adjustments may be made for income received from either a "beginning farmer" or "beginning businessman" (see instructions for line 9). A nonresident estate or trust is also entitled to reduce North Dakota income by the Federal income tax attributable to North Dakota income. The Federal income tax attributable to North Dakota income is determined by multiplying the total Federal income tax (See instructions to line 14, except that the foreign tax credit is not included) by the percentage that North Dakota income bears to total income.

A nonresident estate or trust must attach a schedule showing how North Dakota net income or loss was computed.

Line 21. Nonresident estates and trusts may only take a deduction for a distribution to beneficiaries on this line if the distribution is out of income from North Dakota sources as shown on the Federal Form 1041, Schedule K-1.

Lines 24 and 25. A credit is allowed for contributions made to certain nonprofit private institutions of higher education and certain nonprofit private institutions of secondary education located in the State of North Dakota. The credit is equal to 50% of the contribution but not to exceed 40% of the taxpayer's total income tax (Line 23, Schedule 2 - Long Method) or \$250, whichever is less. The credit for contributions to a nonprofit private institution of higher education should be entered on line 24, and the credit for contributions to a nonprofit private institution of secondary education should be entered on line 25. Contributions may be made up to and including the due date or extended due date of the return.

If these credits are being claimed, a receipt or a copy of the canceled check (front and back) must be attached to the return to substantiate the amount of the tax credits.

Line 26. A credit is allowed for the cost of a geothermal, solar, or wind energy device installed in a building or on property owned by the taxpayer in North Dakota. The credit is equal to 5% for three years of the actual cost of acquisition and installation of the geothermal, solar, or wind energy device. The three years in which the credit must be used are the year of installation and the two years immediately following installation.

Attach a schedule showing date of installation, actual cost of acquisition and installation, and the computation of the tax credit.

A credit is allowed for payment of wages to a developmentally disabled or chronically mentally ill person employed in North Dakota. The credit is equal to 5% of up to \$6,000 in wages paid during the first twelve months of employment for each developmentally disabled or chronically mentally ill employee. The credit may not exceed 50% of the total income tax. Only North Dakota wages actually paid during the taxable year may be considered for the credit.

If the credit is being claimed, attach an affidavit listing the amount of wages paid to each employee including the name and social security number of each employee.